

## STUDENT LOAN DEFAULT

### AFFECT ON LICENSE APPLICATION AND RENEWAL

KRS 164.772, which was enacted in 2002, prohibits state agencies from issuing or renewing professional or occupational licenses to individuals who are in active default of their student loans.

The Kentucky Higher Education Assistance Authority (KHEAA) must declare that an individual is in default if he or she is not meeting the repayment obligation under any financial assistance program administered by KHEAA. This default declaration prohibits licensing agencies, including the Department of Insurance, from issuing or renewing a license for the individual unless KHEAA has verified that:

- The borrower in default has entered a satisfactory repayment agreement on the defaulted loan;
- The financial obligation has been waived for cause or discharged by KHEAA; or
- The financial obligation has been satisfied or paid in full.

This recent law applies to the following licenses issued by the Department of Insurance through the Licensing Division:

Agent	Temporary Agent
Adjuster	Apprentice Adjuster
Administrator	Consultant
Managing General Agent	Surplus Lines Broker
Reinsurance Intermediary Broker	Reinsurance Intermediary Manager
Rental Vehicle Agent	Rental Vehicle Managing Employee
Life Settlement Broker	Life Settlement Provider

**Application for License** – As part of the process of issuing a new license, the Licensing Division checks the records of KHEAA. If the applicant is in default of his or her student loan, the individual is notified they may take any applicable exams; however, a license cannot be issued, until the default is resolved with KHEAA. Further, the application is placed in a pending file for up to 90 days.

- If KHEAA **verifies** that the student loan default has been resolved before these 90 days expire, the application process will be completed and the license will be issued, assuming the applicant is otherwise qualified for the license.
- If KHEAA **does not verify** that the loan default has been resolved within these 90 days, the application file will be closed and the individual will be required to reapply after the repayment obligation on the student loan is resolved.

**Renewal of License** – At the time the license renewal notice is sent to the licensee every two years, the Licensing Division checks the records of KHEAA. If the licensee is in default of his or her student loan, the individual is notified that the license cannot be renewed unless the default is resolved with KHEAA before the renewal date.

- If KHEAA **verifies** before the last day of the licensee's birth month that the student loan default is resolved, the license will be renewed.
- If KHEAA **does not verify** before the last day of the licensee's birth month that the student loan default is resolved, the license will terminate on that date. As a result, it will be unlawful for the individual to exercise the license after the end of his or her birth month. In addition, the individual will be ineligible to reapply for a new license until the repayment obligation on the student loan is resolved.

**KHEAA Contact** – The Kentucky Higher Education Assistance Authority may be contacted about student loan defaults at 1-800-928-4211 or 502-696-7470.

**Additional Information about Insurance Licenses** – Additional information such as requirements for license, certain restrictions, verification of license status, continuing education status, appointment, designations with business entities, forms and instructions, etc. are available through the Department's Web site at <http://insurance.ky.gov>.